

**EXHIBIT 26**

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## **R** Reorg Americas

### Puerto Rico

## Puerto Rico Political Crisis Seen as Sparking Delays But No Major Impact on Debt Restructuring Process

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Major restructuring efforts underway involving Puerto Rico debt, including the proposed Puerto Rico Electric Power Authority restructuring and the development of a commonwealth plan of adjustment, are not expected to be seriously affected by the [political crisis](#) on the island, but scheduling issues sparked by the turmoil surrounding the administration of Gov. Ricardo Rosselló could extend the timeline on important proceedings and actions to be taken.

A scheduled [court hearing slated for Sept. 11](#) on the PREPA settlement motion filed by the PROMESA oversight board is likely to be delayed because of such scheduling issues, according to two sources familiar with the matter. One source close to PREPA creditors said the likely postponement stems “from all that is going on” in Puerto Rico but noted the development “should not be read as a negative sign.”

PREPA creditors “remain fully confident of a deal being consummated. They are obviously watching the events in Puerto Rico closely but without tremendous concern because it is in everybody’s best interest to get the PREPA deal done,” the source added. Two other sources familiar with the matter said it would make sense that scheduling issues would arise because of a lack of decision-making authority in key areas such as the Puerto Rico Fiscal Agency and Financial Advisory Authority, the commonwealth agency known as AAFAF that steers the administration’s debt restructuring efforts. One of these sources with knowledge of the situation said that overall efforts on the PREPA transaction remain on track.

Three sources familiar with the matter said this week that the PROMESA oversight board is expected to file a commonwealth plan of adjustment over the short term. One of the sources said the plan would not be filed before next week’s omnibus hearing, and two sources said most creditors still expect the board to aim to file the plan next week but acknowledged the potential for delay, with one of the sources saying that “there are a lot of reasons that won’t happen.”

In a [press release](#) this afternoon, the PROMESA oversight board said it welcomed the ratification of its [agreement](#) with the Puerto Rico United Public Servants Union, calling it “another major step toward presenting a long-term sustainable plan of adjustment for Commonwealth of Puerto Rico.” The accord provides members with a “more certain and secure collective bargaining agreement, employee benefits structure, and restored System 2000 retirement contributions.”

The oversight board [said earlier this week](#) it would file a plan “as soon as reasonably possible.” Its attorney, Martin Bienenstock of Proskauer Rose, said during the [most recent omnibus hearing](#) in the Title III court that the board hoped to file the plan by the first half of July.

The oversight board’s plan of adjustment is being developed without significant input from creditors or the

commonwealth, according to three sources familiar with the matter. The debt restructuring aspect of the proposal is, however, still expected to be based on the commonwealth [plan support agreement](#) reached between the oversight board, the [Lawful Constitutional Debt Coalition](#), or LCDC, represented by Quinn Emanuel, and the [QTCB noteholder group](#), represented by Bracewell, which together hold about \$3 billion in general obligation and Puerto Rico Public Buildings Authority bonds.

Two sources close to the matter said the board is motivated to present a plan to show progress to the Title III court and to put something on the table that parties can begin to discuss. The sources said there is little downside for the board in filing the plan even if there is little initial support for it. Both sources said the plan has received little to no input from creditors.

Two sources familiar with the matter said there have been no discussions between the board and the commonwealth regarding the plan of adjustment being developed. Rosselló [said this week](#) that the board's proposed cut to pension benefits remains a "significant" obstacle to developing a plan, and former commonwealth Chief Financial Officer Christian Sobrino [has also cited the issue](#) as a key sticking point. Two sources familiar with the situation said the pension issue is not essential for creditors and acknowledged the possibility of a deal on the issue to gain commonwealth support for the plan.

Meanwhile, AAFAF is moving forward on the debt restructuring efforts that it leads, a spokesperson for the commonwealth agency told Reorg today. "All negotiations remain in progress and have not been delayed," the AAFAF spokesperson said this morning.

AAFAF expanded on those comments in another statement this afternoon. "The negotiations between AAFAF and the creditor groups are active and remain in progress. The Puerto Rico government remains committed to continuing to negotiate in good faith with Puerto Rico's creditors while always safeguarding the best interests of the public. Our interest is and will continue to be leading Puerto Rico on a path toward economic recovery and fiscal responsibility," the AAFAF statement read in full.

AAFAF is working to cement deals already announced including the [PRIFA-Ports restructuring support agreement](#) with the ad hoc group of holders of certain bonds issued by the Puerto Rico Infrastructure Financing Authority for the Ports Authority. Another is the RSA with GoldenTree Asset Management, holder of more than two-thirds of the outstanding [Puerto Rico Industrial Development Co.](#) revenue bonds.

AAFAF is also the lead entity in efforts to reach consensual debt restructurings at the Puerto Rico Aqueduct and Sewer Authority, University of Puerto Rico and other covered entity issuers that have not been taken into Title III proceedings by the oversight board. A source familiar with the matter acknowledged the potential for delays given the exit of Sobrino from the AAFAF helm but said the focus is on moving forward publicly announced transactions. Because the AAFAF director does not need to be confirmed by the Puerto Rico Senate, the governor can fill that post at any time and a nomination is expected in the short term.

Because federal authorities [continue to investigate potential corruption](#) in commonwealth government entities, however, there is still the possibility that additional corruption cases may affect the restructuring process, according to two sources familiar with the matter. A source involved in the Title III cases questioned the wisdom of pursuing the Title III cases "full-steam ahead" given all of the revelations that have come out in recent weeks, adding that corruption is not likely limited to the two agencies involved in the recent federal arrests. The source pointed to the PREPA bankruptcy proceedings in particular, as well as the planned privatization of the public utility, which has long been plagued by allegations of cronyism and corruption. The other source said the corruption and group chat scandals have sparked anger among key administration figures and additional revelations could prompt resignations that could affect restructuring efforts.

The oversight board is expected to move aggressively forward with its restructuring plans in the middle of the commonwealth leadership vacuum, but that process may ultimately be delayed by the lack of authority vested in credible commonwealth officials, according to three of the sources. Should the governor resign or be removed from office, his successor will be strongly incentivized to make a deal with the board and creditors, but there is no clear path to that happening over the short term given the resistance of the governor to answer calls for his resignation being made by New Progressive Party figures, these three sources indicated.

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